Subsidy to fertilizer companies

3355. SHRI SANJAYNIRUPAM: Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether Government are paying huge amounts of subsidy to fertilizer companies in the country;

(b) if so, the details thereof;

(c) whether Government are planning to cut that subsidy; and

(d) if so, the details thereof and the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI SATYA BRATA MOOKHERJEE): (a) and (b) Government provides subsidy on urea, which is the only fertilizer under statutory price, distribution and movement control, in terms of the provisions of Retention Price-cum-Subsidy Scheme. Besides, Government provides concession on decontrolled phosphatic and potassic fertilizers under the Concession Scheme for decontrolled phosphatic and potassic fertilizers. Government fixes the Maximum Retail Price (MRP) in case of urea and indicates MRPs in case of decontrolled P&K fertilizers. The MRPs of Single Super Phosphates are indicated by respective State Governments. Since MRP/indicative MRPs are less than the cost of production of fertilizers, fertilizer manufacturers are compensated by payment of subsidy/concession as the difference between the normative cost of production plus 12% post tax return on net worth and the MRP/indicative MRPs. While in the case of decontrolled phosphatic and potassic fertilizers, manufacturers are given concession at uniform rates, but in the case of urea, which is the only controlled fertilizer, payment of subsidy is determined unit-wise under the provisions of RPS. During 2001-2002, the Government has made payments of Rs. 8297.44 crore on subsidy on urea and Rs. 4504.00 crore on concession on decontrolled phosphatic and potassic fertilizers.

(c) and (d) Government is making the system of subsidy disbursement more transparent and rational which will encourage the units to improve efficiency and reduce costs. In keeping with the policy of economic liberalisation and reforms, all other varieties of fertilizers except urea have already been freed from price, movement and distribution control. The Government intends moving towards a deregulated regime in all the three types of fertilizers, that is, nitrogen, phosphatic and potassic, after taking into account its fiscal capacity on the one hand and making available fertilizers to the farmers at a reasonable price on the other.